




DEPARTMENT OF MENTAL HEALTH POLICY/PROCEDURE

SUBJECT ANNUAL COMPLIANCE PROGRAM OFFICE RISK ASSESSMENT	POLICY NO. 106.16	EFFECTIVE DATE 09/2008	PAGE 1 of 4
APPROVED BY:  Director	SUPERSEDES 112.23 09/2008	ORIGINAL ISSUE DATE 09/2008	DISTRIBUTION LEVEL(S) 1

PURPOSE

- 1.1 To comply with the Office of Inspector General (OIG) recommendation that health care organizations regularly examine the status of operations from a compliance perspective. To establish a baseline for the Compliance Officer and other managers to judge the progress of the Department in reducing or eliminating potential areas of vulnerability. (U.S. Sentencing Guidelines as amended November 1, 2004.)

POLICY

- 2.1 The Compliance Program Office (CPO) will develop a risk assessment tool that will be approved by the Compliance Program Steering Committee (CPSC). The assessment tool will be evaluated on an annual basis for purposes of making improvements in the assessment process.
- 2.2 The risk assessment tool will include the following elements:
 - 2.2.1 An evaluation of Federal Health Care Requirements
 - 2.2.2 The OIG's Work Plan
 - 2.2.3 Special advisory bulletins and fraud alerts
 - 2.2.4 Audit reports
 - 2.2.5 Evaluation of internal controls
 - 2.2.6 Evaluation of HIPAA Privacy and Security
 - 2.2.7 Hotline/Office of County Investigation (OCI) allegations
 - 2.2.8 Interviews of leadership and managers
- 2.3 The assessment will determine the:



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- 2.3.1 Risk impact on the Department's mission, i.e., reputation, financial operations, and legal actions
- 2.3.2 Vulnerability in relation to likelihood and detectability
- 2.3.3 Current Control Environment
- 2.3.4 Risk Prioritization Score
- 2.4 The outcome of the risk assessment will be used to determine the ongoing work activities of the CPO.

DEFINITIONS

- 3.1 **Risk Assessment:** A means of determining organizational compliance risk distinct from program risk. This assessment is prospective in nature and considers exposures that are strategic, operational, financial, and legal in nature.
- 3.2 **Risk:** An observable event or action that can have a material effect on the reputation, financial, operational, or strategic performance of the organization.
- 3.3 **Risk Prioritization Score:** This is the complete score for each item listed as a risk area. This score will be used to prioritize the risk areas from highest risk down to lowest risk.

PROCEDURES

- 4.1 The CPO and CPSC will develop a Risk Assessment Checklist (See Attachment I). The checklist will include "risk areas," risk impacts, vulnerability and risk prioritization.
 - 4.1.1 Annually CPO, CPSC, and Department managers will identify risk areas to be included in the checklist.
 - 4.1.2 CPO and CPSC will develop scoring methodology/definitions
 - 4.1.2.1 Each element will be scored on a 1-5 scale.



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4.1.2.2 Risk assessment scoring definitions, or thresholds, will be developed for use by those rating risk areas on the checklist (See Attachment II). Scores of 1 to 5 are to be assigned based on the definitions, knowledge and intuitiveness.

4.1.2.2.1 Calculation of impact score: The scores (1 to 5) in each area will be added together to arrive at the risk impact, i.e., Mission Risk + Financial Risk + Legal Risk = Impact.

4.1.2.2.2 Calculation of vulnerability score: The risk impact score will be multiplied by the likelihood and detectability score to arrive at the vulnerability score, i.e., Impact Score x Likelihood x Detectability = Vulnerability Score.

4.1.2.2.3 Risk Prioritization Score: Control score less vulnerability score multiplied by a designated percentage. The percentage is a weighting factor. (See attachment I) upper left corner for percentages.

No Controls – Vulnerability x 100%

Limited Controls – Vulnerability x 75%

Some Formal Controls – Vulnerability x 50%

Adequate Controls – Vulnerability x 25%

Complete Controls – Vulnerability x 0

4.2 CPSC will designate the leadership and/or level of management that will complete the assessment checklist. Completed checklists will be submitted to the CPO.

4.3 The CPO will compile a composite score.

4.4 Using the composite score, CPO will conduct a controls assessment. This includes:



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- 4.4.1 Assessing existing methods for determining compliance with County internal control requirements; Health Insurance Portability and Accountability Act (HIPAA) Privacy and Security Certification Questionnaires that assess compliance with Federal HIPAA requirements; and Compliance Program Questionnaire to assess the seven (7) elements of a highly effective compliance program.
- 4.4.2 Reviewing audit findings.
- 4.4.3 Interviews
- 4.4.4 Other appropriate auditing and monitoring techniques.
- 4.5 Establishing priorities:
 - 4.5.1 Evaluating the information obtained in the control assessment and the composite score prioritize the risk areas. The result is a list of the risk areas, highest to lowest.
- 4.6 Present results of risk assessment to CPSC for discussion and concurrence with results.
- 4.7 Develop CPO annual work plan.

AUTHORITY

Federal Register/Vol. 70, No. 19/Monday, January 31, 2005/Notices

ATTACHMENTS

[Attachment I DMH Risk Assessment Checklist](#)

[Attachment II Risk Assessment Scoring Definitions](#)

REVIEW DATE

This policy shall be reviewed five (5) years from the date of the original issuance.

RESPONSIBLE PARTY

Compliance Officer